

National City®

August 29, 2008

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave, N.W.
Washington, D.C. 20551

RE: Regulation C; Docket No. R-1321
OMB Control No. 7100-0247

Dear Ms. Johnson,

National City Bank appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's (the "Board") proposed changes to the rules for reporting price information under Regulation C, which implements the Home Mortgage Disclosure Act ("HMDA").

General Comments

National City is supportive of the Board's attempt to create consistency within the regulations. We agree that there would be benefit in aligning the Regulation C data reporting and the Regulation Z definition of a Higher-Priced mortgage loan. National City is also encouraged by and strongly supportive of the Regulation Z final rule and believes that uniform consumer protections will increase stability in the industry.

Although synchronizing the final rule of Regulation Z with the Regulation C data reporting will come at a significant expense to the industry, National City believes that this uniformity and shifting the reporting of APR spreads to actual industry data would be beneficial and we are supportive of this modification. However, we are concerned with the Board's estimation of the time necessary to comply with this proposed change and are requesting compliance with this change be delayed until January 1, 2010.

Programming Changes

As with many institutions of our size, we have several front-end systems that feed to a centralized system for HMDA data reporting. Many of our systems are vendor managed. Changes such as these must be coordinated with the various vendors and specifications must be available prior to any discussions. As you know, this proposal does not embed the instructions on how to identify comparable transactions. Instead the proposal defers to a 'table of mortgage market rates' that has yet to be created. Without the details of how we will be instructed to compare transactions, we cannot begin to write the technical specifications and work with our vendors to implement these changes. Assuming that the final rule on this proposal will be published in the 4th quarter of 2008, many vendors will likely not be prepared to ensure compliance with this revision by January 1, 2009.

Programming changes as a result of this proposal are not as simple as updating the system to comply with the new threshold. There will be at least a modification necessary to collect two new data fields for reporting purposes from all front end systems. The amortization type (fixed or ARM) and the number of years of the introductory period of the ARM (i.e. the 5 in a 5/1 ARM) will need to be passed to the HMDA reporting system. The interfaces between the systems will need to be thoroughly tested with respect to these new data fields. Furthermore, to ensure compliance by January 1, 2009, these data fields would need to be available for reporting today.

Additional programming will need to be performed for the download and formatting of the new comparison rate table, the calculation of the weekly comparison date and the calculation of the new threshold reporting. Many of the systems also have edits in place to recognize rate spread reporting to trigger verification by the user. With both internal and external programming changes needed, National City estimates that it will require six to nine months from the publication of the new rate table and final rule to submit change requests for all affected systems, receive the code from all vendors, perform both unit and regression testing, and migrate the code to production.

Assuming that the final rule on this proposal will be published in the 4th quarter of 2008, a January 1, 2009 implementation date for the new system requirements would not be sufficient to ensure compliance with this proposal. Because of this, National City is requesting that required compliance with this proposal be delayed until January 1, 2010. A January 1, 2010 implementation date would allow for the appropriate system changes to take place and consistency of APR spread reporting within the same LAR reporting year.

National City would also like to take this opportunity to recommend the delay of the implementation date of the corresponding Regulation Z final rule to January 1, 2010. This delay would allow for true consistency within the Regulations, allow for an easier transition period and reduce the opportunity for misinterpretation of the LAR data.

PMMS Table

National City believes that an average prime offer rate table similar to the Freddie Mac's PMMS table would be the most appropriate benchmark for the reporting of pricing for each transaction. Using mortgage interest rates and weekly updates would allow the reported APR spreads to be more closely aligned with an industry benchmark.

However, the current PMMS table only considers fees and points as those labeled as either an origination fee or discount point. Within the calculation of the APR, a lender is required to include items in addition to the origination fee and discount points into the finance charge. Although typically a small difference, the APR calculation would include items such as third party closing fees or the life of loan flood monitoring fees whereas the PMMS table excludes these items. If the Board's intention is to make this reporting more 'accurate and consistent' then it is recommended that the 'Average Prime Offer Rate' table include all finance charge fees, or, in the alternative, to increase the reporting thresholds from 1.5 percentage points for first-lien loans to 2 percentage points, and from 3.5 percentage points for subordinate-lien loans to 4 percentage points.

The current PMMS table is also limited with respect to the loan term in which to compare a transaction. Allowing only the comparison of a 15 or 30 year term may inappropriately label shorter term home equity products as sub-prime. These shorter term second-lien loans are often non-salable within the secondary market and therefore priced slightly higher than a first lien, GSE-sponsored

products. Although the proposal does allow for a higher threshold for reporting second-lien transactions, we would like to recommend additions to the structure to accommodate a comparison of these shorter term loans. Without the adjustment for these shorter terms and the new restrictions presented by the Regulation Z final rule, lenders may have no choice but to further restrict the availability of these necessary mortgage products.

Suggestions for APOR Table Structure

Because of the complexity involved in programming these changes, National City would like to suggest a single table format to house this data similar to the current FFIEC Treasury Table. Because the proposal does not appear to make the distinction in term for ARM loans, the table could be as simple as adding a Fixed or Adjustable flag, and beginning and ending effective dates to the current structure. National City would also like to suggest that the table provide the historical average rates going back five years and for terms up to 40 years. The suggested format is shown below. Applicable Term indicates the Loan Term for fixed-rate products, and the Adjustment Period for variable-rate products:

| Beginning Effective Date | Ending Effective Date | Fixed or Adjustable Indicator | Applicable Term | | | | | | |
|--------------------------|-----------------------|-------------------------------|-----------------|------|------|------|------|-------|------|
| | | | 1 | 2 | 3 | 4 | 5 | | 40 |
| 7/10/2008 | 7/16/2008 | F | 6.26 | 6.26 | 6.26 | 6.26 | 6.26 | 6.26 | 6.26 |
| 7/10/2008 | 7/16/2008 | A | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 |
| 7/17/2008 | 7/23/2008 | F | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 |

A table in this format, located on the FFIEC website, would yield the following benefits:

- All rate information would be available in a single location, as opposed to separate locations for fixed rates and adjustable rates.
- Rate information going back five years (as it does today) would eliminate the need for the Board to add a notation in the publicly available data report, as it has proposed, to identify loans whose rate lock dates occurred prior to October 1, 2008. This would also serve to increase the utility of the data, since users could rely upon the data to be consistent, rather than assuming some rate spreads were calculated under a different method.
- Eliminate errors resulting from the calculation of an incorrect publication date. As proposed, systems would need to calculate the date of the Thursday immediately preceding the rate lock date. While possible systemically, this approach requires tremendous testing to ensure it is error free.
- Eliminate errors resulting from the choice of the “last available” publication date, in the event of a delay in the publication of the table. As an alternative to calculating the date of the Thursday immediately preceding the rate lock date, some vendors or respondents may choose to simply select the “last available” publication date. While this reduces the amount of programming and testing necessary, it requires more monitoring to ensure that the rate table is always current.
- Eliminate “assignment” errors resulting from the choice of an incorrect rate term; since every possible term up to 40 years will be present in the table, no assignments(i.e. assigning an eight-year variable product to a ten-year rate) will be necessary.
- Minimize the programming burden for respondents, since no programming for term assignment will be necessary.
- Reduce dependency on the day of the week of the publication, in the event that the survey moves the publication due to workloads or holidays.

- Eliminate the need for future reprogramming in the event that there is a need to transition to a different publication with a different release schedule (e.g. weekly to monthly, etc.) or if additional survey products become available that will necessitate changes to term assignment rules.
- Eliminate the need for security reviews of additional websites. If the table is posted to the FFIEC, as it is today, existing security reviews done for the automation of the current downloads would continue to apply.

Conclusion

Again, National City is supportive of the attempts to create consistency in the Regulations. National City also believes that the PMMS table (or similar APOR table) would be the best comparison measure to report annual percentage rate spreads to the public. To reiterate, National City would recommend the following changes to this proposal:

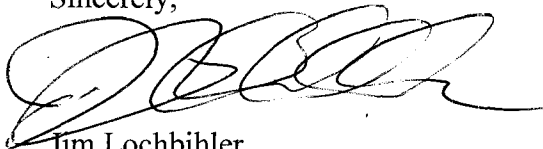
1) Move the effective date of the final rule to January 1, 2010. As stated, this change will entail significant programming changes and involvement with outside vendors. Because of this, we would recommend that the effective date be moved to January 1, 2010 to allow for proper testing and compliance controls to be in place prior to the reporting requirement.

2) Allow for review and comment on the method of identifying comparable transactions. National City recommends that the details of identifying comparable transactions be embedded within the proposed Regulation C revision and allow the opportunity for comment on the specific method. Without the specific details of the method it is difficult to determine the complete impact of the proposal. Furthermore, National City believes that it would be more appropriate to contain specific regulatory reporting definitions within the actual Regulation.

3) Accept the recommended format of the proposed table. National City strongly believes that the proposed table format will simplify programming efforts if any of these changes become final. Additionally, National City would like to reiterate the need to incorporate all finance charges into the calculation within the APOR figures, or in the alternative, to increase the reporting thresholds, and establish additional measures for shorter term loans.

National City would like to thank the Board for this opportunity to comment on the proposed regulatory changes. If you have any questions regarding these comments please do not hesitate to contact myself or Madeleine Thomey at the address below for clarification.

Sincerely,



Jim Lochbihler
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